

Message Text

SECRET

PAGE 01 LISBON 08306 01 OF 02 021230Z

12
ACTION EB-04

INFO OCT-01 SS-04 EUR-03 TRSE-00 CEA-01 NSC-05 NSCE-00

INR-01 FRB-03 INRE-00 CIAE-00 ISO-00 SSO-00 /022 W

----- 082819

O 021140Z DEC 76

FM AMEMBASSY LISBON

TO SECSTATE WASHDC IMMEDIATE 9382

S E C R E T SECTION 1 OF 2 LISBON 8306

LIMDIS

GREENBACK

DEPT. PASS TREASURY FOR UNDER SECRETARY YEO AND WIDMAN

E.O. 11652: GDS

TAGS: EAID, ECON, PO

SUBJ: FINANCIAL ASSISTANCE PROGRAM FOR PORTUGAL

REF: STATE 290133

SUMMARY.

1. I INITIATED FORMAL DISCUSSIONS ON THE PROPOSED THREE
STAGE FINANCIAL ASSISTANCE PROGRAM WITH FINANCE MINISTER
MEDINA CARREIRA AND CENTRAL BANK PRESIDENT SILVA LOPES ON
DECEMBER 1. TREASURY OFFICIALS SYVRUD AND WILLIS AND
ECONOMIC COUNSELOR FERRER ACCOMPANIED ME. FINMIN RESPONDED
POSITIVELY TO THE OVERALL PROGRAM BUT RAISED FOUR QUESTIONS:

A. GOP WOULD LIKE TO HAVE HALF OF THE GOLD DEPOSIT
REPLACED BY A CURRENCY LOAN FROM ESF;

B. WHILE WILLING TO HAVE IMF SUPERVISION ON THE SECOND
STAGE, THEY WOULD FIND IT POLITICALLY EMBARRASSING TO HAVE
A RESIDING FUND OFFICIAL ASSIGNED TO PORTUGAL;

C. THEY WERE NOT REPEAT NOT CERTAIN WHETHER THE GOLD
DEPOSIT ARRANGEMENT HAD TO BE APPROVED BY THEIR ASSEMBLY. THEY
MAY, THEREFORE, PREFER TO HAVE ANY ARRANGEMENT MADE WITH
THE CENTRAL BANK, WHICH MIGHT MAKE IT UNNECESSARY TO

SECRET

SECRET

PAGE 02 LISBON 08306 01 OF 02 021230Z

FOLLOW THE CONSTITUTIONAL REQUIREMENT THAT GOP BORROWING

BE SUBMITTED TO THE NATIONAL ASSEMBLY FOR APPROVAL.

D. THEY ARE RELUCTANT TO PROVIDE A WRITTEN STATEMENT OUTLINING THE ECONOMIC STABILIZATION MEASURES THAT HAVE BEEN TAKEN, BUT WILL CHECK WITH THE PRIME MINISTER, ON THE BASIS THAT SUCH A STATEMENT WOULD NOT REPEAT NOT REFER IN EXPLICIT TERMS TO THE GOLD DEPOSIT ARRANGEMENT. I EXTENDED OUR INVITATION TO THE FINANCE MINISTER AND/OR SILVA LOPES TO COME TO WASHINGTON TO NEGOTIATE THE FIRST STAGE AS PART OF AN INTEGRAL THREE-STAGE PROGRAM. THEY INDICATED THEIR DESIRE TO DO SO, PERHAPS BEFORE MID-DECEMBER. THEY NOTED, HOWEVER, THAT THEY WOULD HAVE TO TAKE THIS UP WITH THE PRIME MINISTER AND THE PRESIDENT. END SUMMARY.

2. GOLD DEPOSIT ARRANGEMENT: FINANCE MINISTER MEDINA CARREIRA STRONGLY SUPPORTED SILVA LOPES' SUGGESTION TO HAVE HALF OF THE GOLD DEPOSIT REPLACED BY A CURRENCY LOAN FROM THE ESF. WE RESPONDED THAT THE GOLD DEPOSIT ARRANGEMENT HAD BEEN DISCUSSED WITH MEMBERS OF THE CONGRESS AND THE PRESIDENT AS PART OF AN INTEGRATED FINANCIAL PROGRAM. APART FROM THIS, WE BELIEVED THAT THE SILVA LOPES SUGGESTION WOULD ALSO RAISE DIFFICULTIES WITH THE ESF. WE WOULD, HOWEVER, INFORM WASHINGTON OF THE REQUEST AND ATTEMPT TO OBTAIN A PROMPT RESPONSE. (SILVA LOPES, IN MAKING HIS INITIAL SUGGESTION, HAD RECOGNIZED THAT IT WAS SUBORDINATE TO THE OVERALL IMPORTANCE OF THE THREE-STAGE FINANCIAL PROGRAM. THE REASONS HE GAVE FOR SUGGESTING THIS CHANGE WERE: (A) IT WOULD COMPLICATE HIS EFFORTS TO NEGOTIATE A \$300 MILLION LOAN WHICH MANUFACTURERS HANOVER AND CREDIT LYONNAIS WERE TRYING TO PUT TOGETHER. WHILE THE BANKS WERE NOT INSISTING ON A NEGATIVE GOLD PLEDGE, HE FEARED THAT SOME BANKS WOULD BE UNWILLING TO JOIN THE LOAN IF GOLD SALES WERE ANTICIPATED; (B) THE DOMESTIC POLITICAL RESISTANCE TO GOLD SALES.)

3. RELATIONS WITH IMF: THE FINMIN SAW A POLITICAL PROBLEM IN THE PHYSICAL PRESENCE OF AN IMF REPRESENTATIVE STATIONED IN PORTUGAL, THOUGH THERE WAS NO DIFFICULTY IN MAINTAINING CLOSE CONTACTS WITH THE IMF ON THE
SECRET

SECRET

PAGE 03 LISBON 08306 01 OF 02 021230Z

SECOND STAGE OF THE ARRANGEMENTS. THE POLITICAL OPPOSITION WOULD PROBABLY USE THE PRESS TO CRITICIZE SUCH A PRESENCE. WE EXPLAINED THAT IN OTHER COUNTRIES THE IMF HAS OFTEN ASSIGNED A MEDIUM-LEVEL OFFICIAL TO WORK CLOSELY WITH THE CENTRAL BANK AND GOVERNMENT, AND THIS HAD PROVED USEFUL IN HELPING TO DEVELOP THE TIMELY INFORMATION THAT IS NEEDED BY BOTH THE IMF AND THE POLICYMAKING OFFICIALS OF THE COUNTRIES CONCERNED.

THE MINISTER SAID HE DID NOT REPEAT NOT QUESTION THE NEED FOR
IMF SUPERVISION OF THE ECONOMIC AND FINANCIAL REHABILITATION,
BUT MERELY HOW IT WAS DONE.

4. CONSTITUTIONAL ISSUE: FINMIN WAS NOT CERTAIN WHETHER
THE GOLD DEPOSIT ARRANGEMENT HAD TO BE SUBMITTED TO
THE ASSEMBLY UNDER AN EXISTING CONSTITUTIONAL PROVISION.
THIS PROVISION REQUIRES THAT ANY FOREIGN CREDIT TO THE
GOVERNMENT OF PORTUGAL OR TO A NON-AUTONOMOUS GOVERNMENT
ENTITY BE SUBMITTED TO THE ASSEMBLY FOR APPROVAL. FINMIN
THOUGHT IT MIGHT BE POSSIBLE TO HAVE GOLD DEPOSIT
ARRANGEMENT BETWEEN THE USA AND BANK OF PORTUGAL SUCH
THAT THE CONSTITUTIONAL PROVISION WOULD NOT BE APPLICABLE.
WE POINTED OUT THAT OUR PRACTICE IN SIMILAR CASES HAS
BEEN TO REQUIRE SIGNATURES OF BOTH FINANCE MINISTRY AND
CENTRAL BANK AUTHORITIES. FINMIN RESPONDED THAT THIS COULD
BE A COMPLICATING FACTOR. HE SAID HE WOULD DISCUSS THE
QUESTION WITH PRIME MINISTER SOARES.

SECRET

NNN

SECRET

PAGE 01 LISBON 08306 02 OF 02 021236Z

11
ACTION EB-04

INFO OCT-01 SS-04 ISO-00 EUR-03 TRSE-00 CEA-01 NSC-04

NSCE-00 INR-01 FRB-03 INRE-00 CIAE-00 SSO-00 /021 W
----- 082880

O 021140Z DEC 76
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 9383

S E C R E T SECTION 2 OF 2 LISBON 8306

LIMDIS

GREENBACK

DEPT. PASS TREASURY FOR UNDER SECRETARY YEO AND WIDMAN

5. POLICY STATEMENT: AFTER NOTING THAT A WRITTEN
STATEMENT OF GOP ECONOMIC POLICY WOULD BE HELPFUL TO USG
AND POSSIBLY EVEN TO GOP, WE SUGGESTED THAT PORTUGUESE
DELEGATION BRING SUCH A STATEMENT WITH IT TO WASHINGTON.

FINMIN HESITATED AT PROMISING TO PREPARE A WRITTEN STATEMENT, NOTING THAT HE, THE PRIME MINISTER AND BANK OF PORTUGAL GOVERNOR SILVA LOPES HAD ALREADY PROVIDED, BOTH IN PUBLIC SPEECHES AND IN OUR PRIVATE CONVERSATIONS, EXTENSIVE GUIDANCE ON GOP POLICY. HE STRESSED THAT HE PERSONALLY HAD NO REPEAT NO OBJECTIONS TO PUTTING GOP POLICY STATEMENTS INTO WRITING, BUT HE WAS HIGHLY FEARFUL THAT SUBSEQUENT LEAKAGE OF SUCH A STATEMENT WOULD CAUSE GOP SERIOUS POLITICAL EMBARRASSMENT. FINMIN PROMISED, HOWEVER, TO DISCUSS WITH THE PRIME MINISTER WHETHER GOP WOULD BE PREPARED TO PROVIDE WRITTEN STATEMENT. WE AGREED TO GIVE FINMIN LIST OF SUBJECTS WHICH WE BELIEVE WRITTEN STATEMENT SHOULD ENCOMPASS.

6. AZORES NEGOTIATIONS: I HAVE HAD SEPARATE DISCUSSIONS WITH SOARES AND FORMIN MEDEIROS FERREIRA ON THE RELATIONSHIP OF THE LOAN TO THE AZORES NEGOTIATIONS, NOTING THAT THE GOP HAD ALREADY AGREED THAT THESE NEGOTIATIONS
SECRET

SECRET

PAGE 02 LISBON 08306 02 OF 02 021236Z

WOULD TAKE PLACE IN THE CONTEXT OF OUR TOTAL RELATIONS WITH PORTUGAL. THEY BOTH AGREED THAT THE LOAN WOULD BE TAKEN INTO ACCOUNT IN CONSIDERING A GUID FOR THE BASE. I SUBSEQUENTLY INFORMED FINMIN OF MY DISCUSSIONS WITH SOARES AND MEDEIROS FERREIRA.
CARLUCCI

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS, FOREIGN ASSISTANCE, FINANCIAL PROGRAMS, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 DEC 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: CunninFX
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976LISBON08306
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760446-0308
From: LISBON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761279/aaaacqpl.tel
Line Count: 199
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 76 STATE 290133
Review Action: RELEASED, APPROVED
Review Authority: CunninFX
Review Comment: n/a
Review Content Flags:
Review Date: 04 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 MAY 2004 by BoyleJA>; APPROVED <30 AUG 2004 by CunninFX>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL ASSISTANCE PROGRAM FOR PORTUGAL
TAGS: EAID, ECON, PO, US
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006